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TO RUEHC/SECSTATE WASHDC IMMEDIATE 0669
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 4035
RUEHLM/AMEMBASSY COLOMBO PRIORITY 4297
RUEHKA/AMEMBASSY DHAKA PRIORITY 9376
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 2283
RUEHLO/AMEMBASSY LONDON PRIORITY 3689
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 9347
RHEFDIA/DIA WASHDC PRIORITY
RHHMUNA/CDR USPACOM HONOLULU HI PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
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C O N F I D E N T I A L KATHMANDU 000663

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DEPT FOR SCA/INS

E.O. 12958: DECL: 03/10/2016
TAGS: [MASS](#) [EFIN](#) [PTER](#) [PGOV](#) [NP](#)
SUBJECT: FINANCE MINISTER TELLS AMBASSADOR FUNDING NEEDED
FOR SECURITY FORCES

REF: 05 KATHMANDU 1415

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Government Needs Money For Security

1. (C) In a March 7 meeting, Minister of State for Finance Roop Jyoti told the Ambassador that Nepal needed external funding to support additional security costs. (Note: For FY 2004-2005 Nepal's security budget was 17.2 percent of the total government budget.) Jyoti noted that security in the time of an insurgency required money. He opined that the King would win widespread support if he could provide security to the people. "So far," however, security forces lacked the capability to protect the people. The Maoists continued to terrorize people throughout the country, including extorting money from businesses and industries. To illustrate the challenges, Jyoti cited his family's spinning mills in the terai region. The mill's security guards were unable to stop a small number of Maoists from bombing the mill. He noted that in the current security environment, one extortion call by a purported Maoist could shut down a factory. He lamented that all factories outside of Kathmandu were under Maoist threat.

Ideas to Meet Rising Security Needs

2. (C) Sharing his ideas to raise money, Jyoti explained that remittances were one source of income to Nepal, comprising 12 percent of GDP. Jyoti suggested that in addition to private remittances, Nepal could assist the U.S. with security forces in Afghanistan or Iraq, similar to the activities that Nepal was undertaking internationally through United Nations peacekeeping. The Ambassador replied that the King would first need to reach out to the political parties in order for the U.S. to reconsider such an offer, which the U.S. had turned down in the summer of 2005 (ref A). The Ambassador stressed that political improvements would be needed in order for the U.S. to reconsider supplying arms to Nepal. The Ambassador commented that India had stated that it was also looking for political progress in Nepal before resuming military assistance or allowing others to supply arms across the Indian border.

¶3. (C) Bio note: Jyoti, who has a Ph.D. from Harvard in political economy and government and an undergraduate degree in chemical engineering, considers himself a technocrat. His business interests also include engineering and metalwork companies. Jyoti's ability as an administrator is generally recognized among Nepal's donor community, but his politics are considered very conservative. He commented that his family had been against his entering the government as a cabinet minister. He stated that it was his meditation teacher who had urged him "to fulfill his karma," saying "if you think you can help, then you should try."

Comment

¶4. (C) Jyoti's plea for reconsideration of HMGN's offer to provide troops in Iraq or Afghanistan indicates the government's desperation to identify sources of funding for its security forces.
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